



REVIEWED INTERIM RESULTS
for the six months ended 31 March 2015

CORONATION 
FUND MANAGERS
TRUST IS EARNED

ASSETS UNDER MANAGEMENT OF R636 BILLION

DILUTED HEADLINE EARNINGS PER SHARE OF 246.7 CENTS

INTERIM DIVIDEND PER SHARE OF 246 CENTS

■ **RESULTS** For the six months to 31 March 2015, Coronation Fund Managers delivered a good set of results that are in line with management expectations. Following an extended period of extraordinary growth, funds under management continued to increase, recording an 8% rise to R636 billion. This was supported by international and retail flows and a strong, albeit volatile, market environment. Over the period, developed markets once again outperformed emerging markets (3.6% for the MSCI World Index versus -2.3% for the MSCI Emerging Markets Index, both in US dollar terms), while the FTSE/JSE All Share Index returned 7.3% (down 0.3% in US dollar terms). The rand continued its decline against the US dollar to close the period 7.1% lower at R12.13, but appreciated by 8.4% against the euro to close at R13.14.

Reduced levels of performance fees generated during the six-month period, when compared to the high quantum in the previous comparable period, resulted in revenue declining by 6% to R2 167 million for the half year. Diluted headline earnings per share declined by 10% to 246.7 cents (March 2014: 275.4 cents).

■ **BUSINESS UPDATE** As a long-term manager, the success of our philosophy and process is best illustrated by the track record of our longest-running domestic equity fund, Houseview Equity, which has outperformed the market by 3% p.a. since inception in 1993. Key highlights from our primary client market segments, institutional and retail, are included below.

Institutional: Over the period net outflows of R0.56 billion were recorded. Our international offering attracted net inflows of R10.28 billion, largely into the emerging market product. Net outflows in the South African segment of our institutional business are attributable to the relative maturity of the domestic retirement fund industry and the closure of our SA Equity and Multi-Asset funds to new institutional clients. In November 2014, the Coronation Active Global Equity and Global Frontiers funds were added to our international fund range.

Long-term outperformance across our funds remains compelling, examples of which include:

- Our longest-running domestic equity fund, Houseview Equity, has delivered annualised alpha of 3% (gross of fees) since inception in October 1993.
- Global Absolute, our first-to-market absolute portfolio, has produced alpha of 5.2% p.a. (gross of fees) since inception in August 1999.
- Our specialist bond portfolio, Strategic Bond, has outperformed the local bond market by 1.7% p.a. (gross of fees) since inception in January 2008.
- Our global balanced portfolios ranked in the 1st quartile over 5 and 10 years in the Alexander Forbes Global Large Manager Watch™ survey to end March 2015, and our domestic balanced portfolios were in the 1st quartile over 5 years and 2nd quartile over 10 years in the SA Large Manager Watch™ survey.

- The Coronation Global Emerging Markets Fund has generated an annualised alpha of 5.5% (gross of fees) since inception in July 2008.
- Our specialist African equity portfolio, Africa Frontiers, has outperformed its benchmark by 8.8% p.a. (gross of fees) since inception in October 2008.

Retail: We remain the largest manager of long-term retail assets in the South African collective investment schemes industry with a market share of 15.2% (September 2014: 15.1%). Although industry inflows plateaued over the six-month period, we continued to attract a significant portion of available flows, recording net inflows of R8.01 billion.

For the third consecutive year, Coronation was named Raging Bull South African Management Company of the Year, and for the fifth consecutive year, Morningstar Best Large Fund House. As at 31 March 2015, all domestic and international flagship funds ranked in the 1st quartile of their respective Morningstar categories since launch (after the deduction of all fees). Highlights include:

- Coronation Top 20, the no.1 general equity fund since launch in October 2000, has outperformed its benchmark by 5.4% p.a. (net of fees) over the same period.
- Coronation Balanced Plus, the no.1 balanced fund since launch in April 1996, has outperformed its average competitor by 2.7% p.a. (net of fees) over the same period.
- Coronation Capital Plus, the no.1 multi-asset medium equity fund since inception in July 2001, has outperformed inflation by 8.2% p.a. (net of fees) over the same period.
- Coronation Balanced Defensive, a top performing conservative fund, has outperformed inflation by 4.9% p.a. (net of fees) since inception in March 2007.
- Coronation Strategic Income, the no.1 multi-asset income fund since inception in July 2001, has outperformed cash on average by 2.9% p.a. (net of fees) over the same period.
- Coronation Global Managed [ZAR] Feeder, the no.1 global multi-asset high equity fund in South Africa since launch in October 2009, has outperformed its composite benchmark by 1.6% p.a. (net of fees) over the same period.

Over the six-month period we added to our international offering with the introduction of the Coronation Global Equity Select [USD] Fund and Coronation Global Equity Select [ZAR] Feeder Fund. Additionally, we are in the process of reviewing the fee structures and investment mandates across our retail fund range, which will result in a simplification and/or reduction in fees for certain funds. We expect to communicate the changes to our retail clients in the coming months.

- **INTERIM CASH DIVIDEND** We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. Accounting for projected cash requirements, a gross dividend for the interim period ended 31 March 2015 of 246.0 cents per share has been declared, resulting in a net dividend of 209.1 cents per share for shareholders subject to Dividends Tax (DT). In compliance with the Listings Requirements of the JSE Limited, the following dates are applicable:

Last day to trade	Friday, 5 June 2015
Shares trade ex dividend	Monday, 8 June 2015
Record date	Friday, 12 June 2015
Payment date	Monday, 15 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both dates inclusive. Dividends declared after 31 March 2012 are subject to DT, where applicable. In terms of the DT, the following additional information is disclosed:

- The local DT rate is 15%
- The number of ordinary shares in issue at the date of this declaration is 349 799 102
- Coronation's tax reference number is 9675 107 719

■ **PROSPECTS** Our financial results for the period serve as a reminder that the earnings stream of a fund manager is cyclical and volatile. Notwithstanding the fact that the long-term investment performance across our fund range remains excellent, we have cautioned shareholders for some time that the elevated levels of markets as well as volatility in short-term alpha can have a significant impact on the earnings of our company.

As long-term investors, our primary focus is on creating long-term value for our clients. If we are successful in doing this, then all stakeholders in our business will share in that success.

■ **EXTERNAL AUDIT REVIEW** The external auditors, EY, reviewed the condensed consolidated statement of financial position of Coronation Fund Managers Limited Group as at 31 March 2015 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the period then ended, and other explanatory notes. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unqualified report of EY are available for inspection at the registered office of the company.

Any forward-looking information contained in this announcement has not been reviewed or reported on by the company's external auditors.

Shams Pather
Chairman

Anton Pillay
Chief Executive Officer

John Snalam
Chief Financial Officer

Cape Town
19 May 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months reviewed 31 March 2015 R million	Six months reviewed 31 March 2014 R million	% Change	Full year audited 30 Sept 2014 R million
Fund management activities				
Revenue	2 167	2 308	(6)	4 774
Other income	9	7		14
Operating expenses	(1 035)	(1 042)	(1)	(2 171)
Share-based payment expense	(3)	(2)		(1)
Other expenses	(1 032)	(1 040)		(2 170)
Results from operating activities	1 141	1 273	(10)	2 617
Finance and dividend income	13	15		42
Finance expense	(6)	(1)		(4)
Share of profit of equity-accounted investee	4	4		7
Profit from fund management	1 152	1 291	(11)	2 662
Income attributable to policyholder linked assets and investment partnerships	15	33		41
Net fair value gains on policyholder and investment partnership financial instruments	30	41		59
Administration expenses borne by policyholders and investors in investment partnerships	(15)	(8)		(18)
Profit before income tax	1 167	1 324	(12)	2 703
Income tax expense	(306)	(358)		(699)
Taxation on shareholder profits	(291)	(325)		(658)
Taxation on policyholder investment contracts	(15)	(33)		(41)
Profit for the period	861	966	(11)	2 004
Other comprehensive income (note 3)				
Foreign currency translation differences for foreign operations	26	3		22
Net change in fair value of available-for-sale financial assets	10	6		9
Other comprehensive income for the period	36	9		31
Total comprehensive income for the period	897	975		2 035
Profit attributable to:				
– equity holders of the company	863	965	(11)	2 001
– non-controlling interest	(2)	1		3
Profit for the period	861	966		2 004
Total comprehensive income attributable to:				
– equity holders of the company	899	974	(8)	2 032
– non-controlling interest	(2)	1		3
Total comprehensive income for the period	897	975		2 035
Earnings per share (cents)				
– basic	246.8	276.0	(11)	572.1
– diluted	246.8	276.0	(11)	572.1
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
– basic	246.7	275.4	(10)	571.6
– diluted	246.7	275.4	(10)	571.6
Dividend per share (cents)				
– interim	246.0	275.0	(11)	275.0
– final				296.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	Reviewed 31 March 2015	Reviewed 31 March 2014	Audited 30 Sept 2014
Assets			
Intangible assets	1 088	1 088	1 088
Equipment	37	24	22
Investment in equity-accounted investees	37	34	38
Deferred tax asset	129	177	166
Investments backing policyholder funds and investments held through investment partnerships	74 698	70 318	73 721
Investment securities	619	223	234
Trade and other receivables	525	733	760
Cash and cash equivalents	581	838	832
Total assets	77 714	73 435	76 861
Liabilities			
Long-term borrowings (note 4)	303	150	152
Deferred tax liabilities	80	100	76
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	74 621	70 222	73 647
Taxation payable	77	88	59
Trade and other payables	572	776	731
Total liabilities	75 653	71 336	74 665
Net assets	2 061	2 099	2 196
Equity			
Share capital and premium	256	256	256
Retained earnings	1 669	1 650	1 841
Reserves	131	188	92
Total equity attributable to equity holders of the company	2 056	2 094	2 189
Non-controlling interest	5	5	7
Total equity	2 061	2 099	2 196

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Six months reviewed 31 March 2015	Six months reviewed 31 March 2014	Full year audited 30 Sept 2014
Cash flows from operating activities			
Profit from fund management	1 152	1 291	2 662
Non-cash and other adjustments	(3)	(7)	(38)
Operating profit before changes in working capital	1 149	1 284	2 624
Working capital changes	77	343	271
Cash flows from policyholders and investment partnership activities	(5 287)	(3 175)	(772)
Cash (utilised)/generated from operations	(4 061)	(1 548)	2 123
Interest paid	(6)	(1)	(2)
Income taxes paid	(234)	(310)	(664)
Net cash from operating activities	(4 301)	(1 859)	1 457
Cash flows from investing activities			
Finance and dividend income	13	15	42
Acquisition of equipment	(21)	(13)	(18)
Acquisition of investment securities	(370)	(42)	(40)
Net cash from investing activities	(378)	(40)	(16)
Cash flows from financing activities			
Dividends paid	(1 035)	(885)	(1 847)
Issue of preference shares	150	150	150
Net cash from financing activities	(885)	(735)	(1 697)
Increase in cash and cash equivalents	(5 564)	(2 634)	(256)
Net (decrease)/increase in cash and cash equivalents – shareholders	(277)	541	516
Net decrease in cash and cash equivalents – policyholders and investment partnerships	(5 287)	(3 175)	(772)
Cash and cash equivalents at beginning of period	14 842	15 076	15 076
Cash and cash equivalents at beginning of period – shareholders	832	294	294
Cash and cash equivalents at beginning of period – policyholders and investment partnerships	14 010	14 782	14 782
Effect of exchange rate fluctuations on cash held	26	3	22
Cash and cash equivalents at end of period	9 304	12 445	14 842
Cash and cash equivalents at end of period – shareholders	581	838	832
Cash and cash equivalents at end of period – policyholders and investment partnerships	8 723	11 607	14 010

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 30 September 2013 (audited)	256	42	1 570	127	8	2 003	4	2 007
Total comprehensive income for the period								
Profit for the period			965			965	1	966
Other comprehensive income (note 3)								
Currency translation differences		3				3		3
Revaluation of available-for-sale financial assets					6	6		6
Total other comprehensive income		3			6	9		9
Total comprehensive income for the period		3	965		6	974	1	975
Transactions with owners recorded directly to equity								
Share-based payments				2		2		2
Dividends paid			(885)			(885)		(885)
Total transactions with owners			(885)	2		(883)		(883)
Balance at 31 March 2014 (reviewed)	256	45	1 650	129	14	2 094	5	2 099
Total comprehensive income for the period								
Profit for the period			1 036			1 036	2	1 038
Other comprehensive income (note 3)								
Currency translation differences		19				19		19
Revaluation of available-for-sale financial assets					3	3		3
Total other comprehensive income		19			3	22		22
Total comprehensive income for the period		19	1 036		3	1 058	2	1 060
Transactions with owners recorded directly to equity								
Share-based payments				(1)		(1)		(1)
Transfers to retained earnings			117	(117)		–		–
Dividends paid			(962)			(962)		(962)
Total transactions with owners			(845)	(118)		(963)		(963)
Balance at 30 September 2014 (audited)	256	64	1 841	11	17	2 189	7	2 196

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
Total comprehensive income for the period								
Profit for the period			863			863	(2)	861
Other comprehensive income (note 3)								
Currency translation differences		26				26		26
Revaluation of available-for-sale financial assets					10	10		10
– net change in fair value					11	11		11
– reclassified to profit or loss on disposal					(1)	(1)		(1)
Total other comprehensive income		26			10	36		36
Total comprehensive income for the period		26	863		10	899	(2)	897
Transactions with owners recorded directly to equity								
Share-based payments				3		3		3
Dividends paid			(1 035)			(1 035)		(1 035)
Total transactions with owners			(1 035)	3		(1 032)		(1 032)
Balance at 31 March 2015 (reviewed)	256	90	1 669	14	27	2 056	5	2 061

EARNINGS PER SHARE

	Six months reviewed 31 March 2015	Six months reviewed 31 March 2014	Full year audited 30 Sept 2014
Weighted average number of ordinary shares in issue during the period	349 799 102	349 799 102	349 799 102
Weighted average number of ordinary shares potentially in issue	349 799 102	349 799 102	349 799 102
R million			
Earnings attributable to shareholders	861	966	2 004
Non-controlling interest	2	(1)	(3)
Earnings attributable to ordinary shareholders	863	965	2 001
Profit on disposal of financial assets available for sale	(1)	–	–
Gain on disposal of group operations	–	(2)	(2)
Headline earnings attributable to ordinary shareholders	862	963	1 999
Actual number of shares in issue at the end of the period	349 799 102	349 799 102	349 799 102

CONDENSED CONSOLIDATED SEGMENT REPORT

R million	Africa			International			Group		
	Six months reviewed 31 March 2015	Six months reviewed 31 March 2014	Full year audited 30 Sept 2014	Six months reviewed 31 March 2015	Six months reviewed 31 March 2014	Full year audited 30 Sept 2014	Six months reviewed 31 March 2015	Six months reviewed 31 March 2014	Full year audited 30 Sept 2014
Segment external revenue	1 403	1 687	3 260	764	621	1 514	2 167	2 308	4 774
Segment operating expenses	(637)	(739)	(1 427)	(398)	(303)	(744)	(1 035)	(1 042)	(2 171)
Segment profit	766	948	1 833	366	318	770	1 132	1 266	2 603
Share of income of equity-accounted investee	4	4	7	–	–	–	4	4	7
Net finance and other income/expense	7	21	56	9	–	(4)	16	21	52
Profit from fund management	777	973	1 896	375	318	766	1 152	1 291	2 662
Income*							15	33	41
Profit before income tax							1 167	1 324	2 703
Segment assets	1 209	1 394	1 329	553	424	519	1 762	1 818	1 848
Investments*							75 952	71 617	75 013
Total assets							77 714	73 435	76 861

* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships and other assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with and containing the information required by the International Financial Reporting Standards (IFRS); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, Act 71 of 2008. The condensed consolidated financial statements do not include all the information required for a complete set of IFRS annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rands, rounded to the nearest million. The accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

These reviewed results have been prepared under the supervision of financial manager, A Rhoda CA(SA).

2. Related party transactions

The group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties.

3. Other comprehensive income

Other comprehensive income is available to be reclassified to profit and loss in future periods.

4. Long-term borrowings

Cumulative redeemable preference shares of R150 million were issued by Coronation Investment Management (Pty) Ltd on 31 March 2014 in order to recapitalise licensed subsidiary companies for regulatory capital adequacy requirements. Dividends, linked to prime, are payable on a quarterly basis with capital repayment being due on 31 March 2017. A further R150 million was issued during March 2015 to recapitalise international subsidiaries that had previously held back profits to seed new investment funds. This amount is due on 31 March 2018 and is subject to the same terms.

5. Fair value disclosure

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counterparty credit risk.

The fair values of the policyholder and investment partnership liabilities included in Level 2 are measured with reference to the fair values of the mentioned assets underlying these liabilities.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

R million	Level 1	Level 2	Level 3	Total
March 2015 (Reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	63 737	5 017	–	68 754
Investment securities	591	–	28	619
	64 328	5 017	28	69 373
Policyholder and investment partnership liabilities	61 341	4 904	–	66 245
March 2014 (Reviewed)				
Investments backing policyholder funds and investments held through investment partnerships	57 400	7 149	–	64 549
Investment securities	197	–	26	223
	57 597	7 149	26	64 772
Policyholder and investment partnership liabilities	55 529	7 017	–	62 546
September 2014 (Audited)				
Investments backing policyholder funds and investments held through investment partnerships	59 482	8 563	–	68 045
Investment securities	206	–	28	234
	59 688	8 563	28	68 279
Policyholder and investment partnership liabilities	57 171	8 449	–	65 620

During the current reporting period, it was determined that transfers between levels of the assets and liabilities held at fair value occurred. R1 237 million in debentures were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market.

Level 3 investments which arose during the current year have not been valued and are carried at cost. No gain or loss has been recognised.

Short positions of R2 432 million (March 2014: R1 906 million; September 2014: R2 350 million) are classified as Level 1 and are measured with reference to the underlying listed instrument being shorted.

Directors:	S Pather (Chairman)*, A C Pillay (CEO), J A Snalam (CFO), L Boyce**, J G February*, J D McKenzie*, A Watson* (* Independent Non-Executive) (# Appointed 7 October 2014)
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Registration number:	1973/009318/06
Transfer secretaries:	Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001
JSE share code:	CML
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